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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

on the State of the Union Road Transport Market

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1. INTRODUCTION

According to Article 17(3) of Regulation (EC) No 1072/2009 on access to the international road haulage market¹:

"The Commission shall draw up a report on the state of the Community road transport market by the end of 2013. The report shall contain an analysis of the market situation, including an evaluation of the effectiveness of controls and the evolution of employment conditions in the profession, as well as an assessment as to whether harmonisation of the rules in the fields, inter alia, of enforcement and road user charges, as well as social and safety legislation, has progressed to such an extent that the further opening of domestic road transport markets, including cabotage, could be envisaged."

The present report responds to this request. It brings together evidence from several studies², and it uses road freight transport statistics collected by Eurostat³, as well as information on the enforcement of the social rules⁴ in road freight transport collected from Member States. It also draws on the Report of the High Level Group on the Development of the EU Road Haulage Market of 19 June 2012⁵. It also takes into account the results of the extensive stakeholder consultation which took place before and after the drafting of the High Level Group report. Finally, it follows the identification by the Commission of the need for a revision of Regulations (EC) No 1071/2009 and (EC) No 1072/2009 under the REFIT exercise⁶.

¹ Regulation (EC) No 1072/2009 of the European Parliament and of the Council of 21 October 2009 on common rules for access to the international road haulage market, OJ L 300, 14.11.2009, p. 72-87.

² Notably "Collection and Analysis of Data on the Structure of the Road Haulage Sector in the European Union" (AECOM 2013); "Development and Implementation of Road Cabotage" (European Parliament 2013); "Road Haulage Charges and Taxes. Summary analysis and data tables 1998-2012" (OECD 2013); "Social and Working Conditions of Road Transport Hauliers" (European Parliament 2013).

³ For reasons of data availability, this report discusses developments in the EU road haulage market only up to 2012. It therefore refers to the EU-27 throughout.

⁴ I.e. Regulation (EC) No 561/2006 on driving times, breaks and rest periods of professional drivers; Directive 2006/22/EC on minimum requirements for enforcement of these rules; Regulation (EEC) No 3821/85 on recording equipment and Directive 2002/15/EC on the working time of mobile workers.

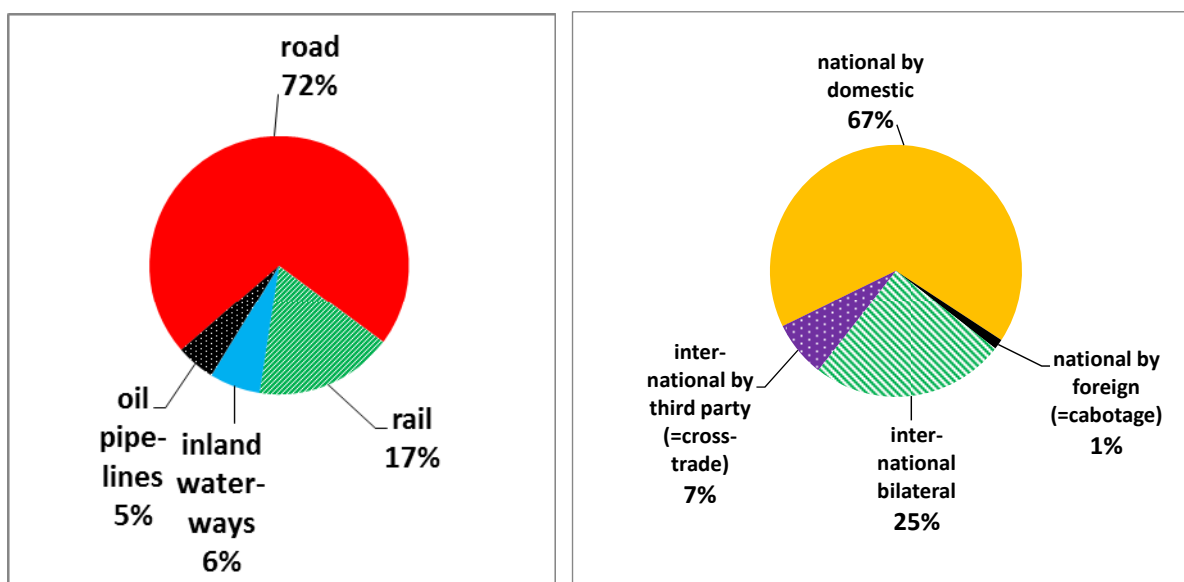
⁵ Report of the High Level Group on the Development of the EU Road Haulage Market, chaired by Prof Bayliss, June 2012.

⁶ Regulatory Fitness and Performance (REFIT): Results and Next Steps, COM(2013) 685 final

2. DEVELOPMENT OF THE ROAD HAULAGE MARKET

2.1. Road Haulage Activity

Road freight transport is the main inland transport mode in the EU, accounting for over 70% of all inland transport activity, as shown in Figure 1. The share of road in total inland freight transport has remained fairly stable over the last decade.



Figures 1 and 2: Modal Split in Inland Freight Transport in the EU27 in 2012 (left); Road Freight Transport in the EU27 in 2012 by Type of Transport (right). Source: Eurostat, DG MOVE.

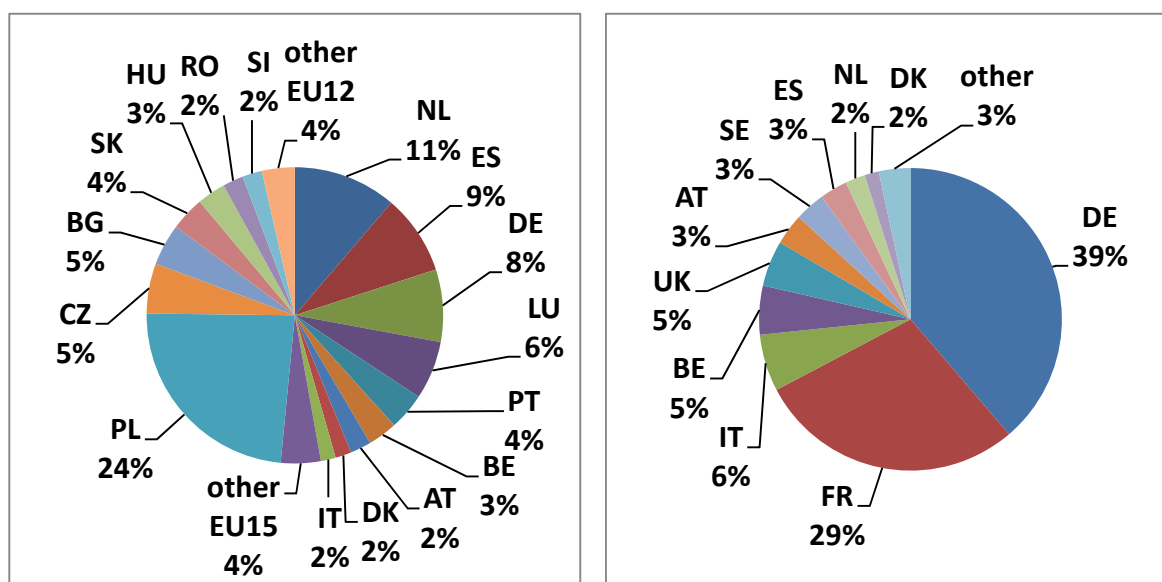
In 2012, road transport in the EU27 generated close to 1,700 billion tonne-kilometres, some 4% less than in 2004 and roughly 13% less than in the peak year of 2007.

National transport operations carried out by domestically registered vehicles account for about two thirds of all transport activities. National transport operations carried out by vehicles registered in another Member State (which is cabotage) merely account for slightly more than 1% of total transport activity. The share of international transport operations has increased during the last decade, from 30% of all road freight transport activities in 2004 to 33% in 2012. This is a sign of the increasingly more integrated single market in the EU. Four fifths of all international transport activities are carried out by vehicles which are registered either in the Member State of loading or in the Member State of unloading. One fifth is carried out by vehicles which are registered in a third country (i.e. cross-trade), up from around one eighth in 2004. The share of cross-trade in all road freight transport activities has gone up from 4 to 7% between 2004 and 2012 (see also Figure 2 above).

Having grown by more than 80% between 2004 and 2012, cross-trade is the most booming segment of the road haulage market. It benefits from the fact that international transport activities are completely liberalised within the EU. Cabotage activities have also gone up (by around 50%) but are still at a relatively low level. Cabotage is defined in Regulation (EC) No

1072/2009 as "national carriage for hire or reward carried out on a temporary basis in a host Member State". It is restricted to three cabotage operations in the seven days following an international carriage. The strong increase in cabotage activities is partly due to the lifting in 2009 and 2012 of special transitional restrictions on hauliers from most countries that joined the EU in 2004 and 2007, respectively.

As shown in figures 3 and 4, in absolute terms, EU-15⁷ hauliers still carry out the majority of cabotage (51%), mostly in Member States neighbouring the vehicle's Member State of registration. The most important cabotage markets are centrally located, large transport markets (Germany, France). In seven of the ten top host Member States for cabotage, the majority of cabotage is carried out by vehicles registered in an EU-15 country. EU-12 hauliers are bound to carry out relatively more transport activities outside their domestic markets as their national road freight transport markets are rather small. France alone has more national road freight transport activity than all 12 Member States that joined the EU in 2004 and 2007 put together.



Figures 3 and 4: Cabotage in the EU in 2012 by Origin of Vehicle (left) and by Host Country (right). Source: Eurostat, DG MOVE.

Some 15% of total road haulage activity in 2012 was own account transport and the remaining 85% was for hire and reward. The transport activities for hire and reward are those carried out by the road haulage sector in the EU as defined in the business statistics while own account transport is carried out by other economic sectors for their own purposes. Own account operations are more important in national transport than in international transport.

⁷ "EU-15 refers to the Member States of the EU before 1 May 2004; the Member States that joined the EU in 2004 and 2007 are included in "EU-12".

As a rule, own account operations are not accessible to operators active in cabotage or cross trade. Only operations for hire and reward are relevant in this context. The cabotage penetration rate hence only takes the market segment into account that is for hire and reward. Eurostat data suggest that foreign vehicles on average accounted for 2.5% of the total national transport market for hire and reward in the EU-27 in 2012, while domestic vehicles carried out the remaining 97.5%.

While it has been suggested that Eurostat data underestimates actual levels of cabotage, enforcement reports by Member States do not show high levels of undetected cabotage (see section 4.2). In addition, Eurostat statistics are the most comprehensive and most comparable data available, as they are the result of an official data collection carried out by National Statistical Offices and reported to Eurostat according to agreed standards.

2.2. Company Structure and Employment

The road haulage market in the EU comprises around 600,000 predominantly small enterprises, with an average size of four employees per company. This number has been stable over recent years with 80% of companies counting less than 10 employees, whereas 99% have less than 50 employees. The road haulage sector employed around three million people in 2011. It should be noted that these figures only cover companies and people active in road haulage for hire and reward, those carrying out own account transport are not included. A long-term trend shows that freight forwarders and integrators (that is to say, a person or company that organises shipments for third parties) play a growing role in organising these movements.

During the economic downturn, profit margins have contracted within the logistics sector as well as in the road haulage sector. Less profitable operations have increasingly been subcontracted down to small businesses, driving the number of links in the logistics chain upwards⁸. Many transport companies are considered vulnerable from the point of view of their financial standing (up to a third of French road haulage companies according to the Banque de France⁹).

However, the relatively low entry barriers to starting a transport company mean that companies which exit the market regularly re-enter it or are replaced by new undertakings. Despite the unfavourable economic climate, the number of Community licenses issued in Spain for instance has risen between 2010 and 2012 (from close to 26,000 at the end of 2010 to more than 27,000 at the end of 2012). This shows the resilient nature of the sector, which appears to adapt quickly to changes and economic developments.

⁸ Collection and Analysis of Data on the Structure of the Road Haulage Sector in the European Union, AECOM, 2013.

⁹ Panorama économique et financier du transport routier en France, Banque de France, 2012.

Certain stakeholders¹⁰ have claimed that the competition created by hauliers from Member States with a lower cost-base, operating on domestic markets through cabotage, has led to job losses. This claim is not supported by the available data regarding employment in the sector. Employment in the road haulage sector has gone up from 2005 to 2011, with certain decreases from 2009 to 2010. Although further research is needed into the extent of job losses at Member State level, a first conclusion would indicate that these reductions are linked to the economic crisis, in combination with the high average age of drivers. In 2011, employment figures in the road haulage sector of the EU27 reached pre-crisis levels again. Hence, no objective evidence indicates that cabotage operations, representing a very small percentage of domestic transport, have had a noteworthy impact on jobs of truck drivers.

2.3. Developments in Productivity

2.3.1. Labour productivity

As shown in Table 1, labour productivity in the land transport sector is lower than the total economy average, and the lowest among all transport modes. In addition, it is the only mode in which labour productivity is dropping. More detailed information would be needed on productivity levels in the road freight sector. Furthermore, additional research is needed to determine the impact of competition on labour productivity levels in road haulage. Studies carried out across different sectors show that in the broader economy, labour productivity is higher in segments open to international competition (in this case, international transport) than in those largely closed to international competition (in this case, national transport). Productivity levels may be up to 15% lower in sectors which are not open to international competition¹¹. Opening national road haulage markets to international competition could therefore be expected to bring similar productivity gains.

Most Member States registered a drop in productivity in the aftermath of the economic crisis. This is consistent with developments in the EU economy during that period. In an economic downturn, economic outputs decrease more quickly than employment, leading to a drop in productivity. The EU economy as a whole recorded a very low 0.6 % increase in productivity over the 2008-11 period¹². Marked differences continue to exist in levels of labour productivity between Member States, which follow differences in price levels in those Member States.

¹⁰ E.g. ETF (European Transport Federation), DTL (Danish Transport and Logistics Association) and FNTR (French National Federation for Road Transport).

¹¹ Danmarks Produktivitet – Hvor er problemerne?, Produktivitets Kommissionen, 2013

¹² Employment and Social Developments in Europe 2012, European Commission.

		Land Trans port	Water Trans port	Air Trans port	Warehousi ng, support activities	Trans port Sector	Total econo my
Labour productivity, 2010	EUR per person employed	45 000	144 000	63 000	67 000	55 000	49 000
Average annual labour productivity growth, 2001/2010	%	-0.2	+7.5	+3.2	+1.2	+1.0	+0.9

Table 1: Labour Productivity in the Transport Sector and in the Overall Economy.
Source: Eurostat National Accounts and Structural Business Statistics.

2.3.2. Vehicle productivity

Due to imbalances in transport flows and logistics practices, a degree of empty running is an unavoidable part of road haulage. Given the undesirable effects of empty running on fuel consumption, CO₂ emissions and costs, this should be reduced as far as possible. Levels of empty running have slightly decreased over the last years thanks to a slowly increasing efficiency in the organisation of transport activities. Nonetheless, in 2012, almost a quarter (23.2%) of all vehicle-km of heavy goods vehicles in the EU involved an empty vehicle.¹³. Although there is no reliable statistical evidence regarding the level of loading of other vehicles, it can be expected that partially loaded vehicles are also common.

Levels of empty running remain high in national transport activities. The rate of empty running for domestic hauliers carrying out national transport is just over 25%. However in case of foreign trucks travelling national trips in a Member State other than the one in which they are registered, this rate stands at close to 50%. Specialised vehicles (such as refrigerated goods carried in reefer trucks, liquids carried in tanks or waste carried by waste collection vehicles) are often partially loaded or empty, due to the difficulty in finding return trips for specialised shipments. However cabotage trips usually involve general cargo carried out with curtain-sided trailers or containers. The high level of empty running is therefore most likely not due to the difficulty in finding return loads, which are more readily available in general transport. Transport operators therefore seem limited by the restrictions applicable to cabotage operations, and unable to organise their transport operations efficiently.

¹³ This section uses figures collected by Eurostat, however measures of load factors of road vehicles may vary according to the type of load transported. Loading factors are also limited by external factors such as maximum vehicle masses and dimensions. See also: Beladingsgraad van gewicht en volume. Het vergelijken van lood met veren, Transport en Logistiek Nederlands, 2013.

An analysis of the levels of empty running in different market segments shows that segments which are exposed to competition, namely international transport (cross-trade and bilateral international haulage), have much lower levels of empty running¹⁴ than market segments still subject to operational restrictions, as shown in Figure 5.

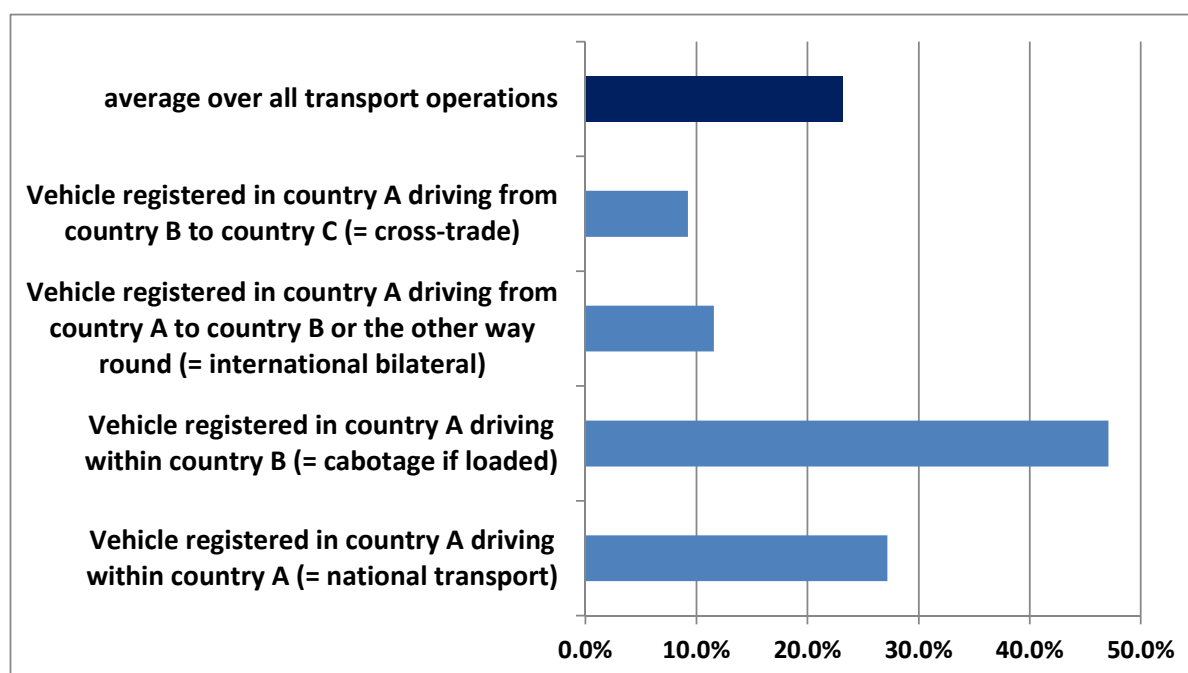


Figure 5: Share of Empty Vehicle-km in Total Vehicle-km by Type of Transport in 2012. Based on data from 21 of the 27 EU countries in 2012 (no data available from BE, IT, CY, MT, RO and UK). Source: Eurostat, DG MOVE.

The positive impact of market opening on loading levels is also demonstrated by the effect of the removal of access restrictions on hauliers from the Member States which joined the EU in 2004 and 2007. When the cabotage restrictions imposed on them were lifted in 2009 and 2012, their share of empty vehicle-km in cabotage fell significantly (see Figure 6 below). Regulation (EC) No 1072/2009, however, does not seem to have had a positive impact on overall levels of empty running in cabotage situations. Before the adoption of Regulation (EC) No 1072/2009, more permissive provisions were in place in several Member States¹⁵. Following the entry into force of the cabotage provisions of Regulation (EC) No 1072/2009 in

¹⁴ Cabotage en CO2-reductie, Notitie met een eerste verkenning naar de potentiële reductie van CO2 door cabotage, Kennisinstituut voor Mobiliteitsbeleid (2010).

¹⁵ Italy allowed hauliers to carry out cabotage on its territory for up to 15 days per month, including not more than five consecutive days at any time. The UK adopted an interpretation of cabotage as a 'temporary' activity according to which a haulier must be able to prove that their vehicle had been leaving its territory at least once a month. In 1998 Greece set a time limit for cabotage of two months per year, which was replaced in 2000 by a circular removing any time limit to cabotage and based instead on a definition of cabotage as an activity which is not permanent, frequent, regular or continuous. In addition to certain other conditions, vehicles were required to leave the Greek territory at least once a month. France's attempt in 2002 to restrict cabotage activities to a week at a time was refused by the Commission as being disproportionate.

May 2010, the overall level of empty running during trips within foreign countries decreased at a considerably slower rate than before and remains almost twice as high as the level of domestic vehicles in national transport. Although other developments such as the economic crisis must be taken into account, this could suggest that the current restrictions on cabotage operations are limiting hauliers in further increasing their efficiency. Further market opening could therefore reasonably be expected to reduce levels of empty running in domestic transport. The potential for reduction of levels of empty running should nonetheless be assessed against the risk of induced road transport demand, which may arise if the increase in road transport offer triggers a significant drop in road transport prices¹⁶. In such cases, the transport sector of Member States with higher cost levels may be more strongly affected, including through possible modal shift. Nonetheless, it should be noted that a drop in road transport prices would benefit users of transport services and consumers¹⁷.

Other factors may help to reduce overall CO₂ emissions and improve the fuel efficiency of vehicles, including the development of fuel consumption and CO₂ measurement methodologies, such as the one to be presented by the Commission in the forthcoming Communication on a strategy for reducing heavy-duty vehicles fuel consumption and CO₂ emissions.

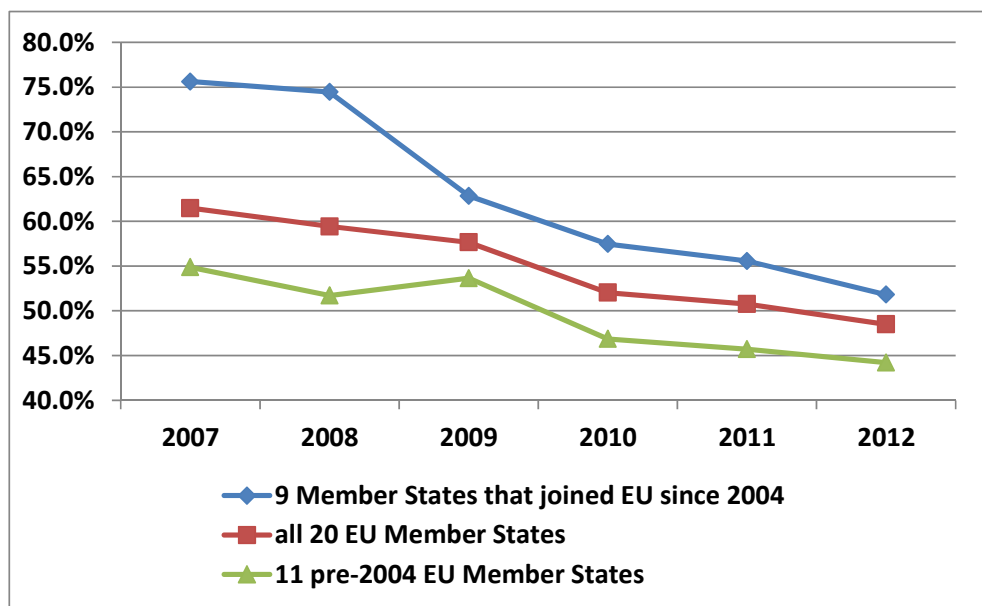


Figure 6: Evolution of the share of empty vehicle-km on trips within foreign countries between 2007 and 2012 by group of Member States where the vehicle was registered. Based on data from 20 of the 27 EU Member States in 2012 (no data available from BE, IT, CY, LU, MT, RO and UK). Source: Eurostat, DG MOVE.

¹⁶ Factsheet No 4/1, ASSIST - Assessing the social and economic impacts of past and future sustainable transport policy in Europe.

¹⁷ Onderzoek naar de gevolgen voor Nederland van het verder vrijgeven van cabotage, Policy Research Corporation in opdracht van Ministerie van Infrastructuur en Milieu, 2013.

3. EVOLUTION OF COST STRUCTURES IN THE ROAD HAULAGE SECTOR

3.1. Cost Drivers: An Overview

Cost levels are one of the key factors determining competitiveness in the road haulage sector. Other factors include specialisation and quality of service. Whereas certain of these costs are closely linked to the Member State of establishment (notably costs of vehicle registration and maintenance, company taxation, cost of capital), others are variable and dependent on the Member State of operation (road user charges or fuel taxes). Due to the existence of distance-based allowances and national legislation that may in certain cases lead to the alignment of wages with minimum standards in the Member State of operation¹⁸, labour costs may to a certain extent also be counted to this category. With fuel, labour is one of the two main cost drivers in the road haulage sector. In order to determine the influence of possible further market opening on the structure of the road haulage sector, it is useful to compare the structure of industry costs throughout the EU. The harmonisation of cost structures and levels is neither an objective of EU policies nor a competency of the EU. However, it has been alleged that market opening could result in unwarranted outcomes if competitive pressure leads to non-compliance with social rules, such as driving time and rest periods, which in turn would present a risk for road safety. This type of development would be contrary to the aims of EU transport policy.

Cost structures are becoming increasingly similar throughout the road haulage sector. The relative importance of the two main cost drivers (labour and fuel costs) has now reached comparable levels throughout the EU. Whereas labour costs in 2004 represented 10% to 30% of total costs in Member States that joined the EU in that same year, they have since grown to represent 20 to 40% of costs in these Member States. In absolute terms, labour costs in the Member States that joined in 2004 and 2007 remain lower than in EU-15 Member States, but the gap is steadily narrowing. The variations of costs related to fuel range from 24% to 38% of total costs.

¹⁸ Directive 96/71/EC of the European Parliament and of the Council of 16 December 1996 concerning the posting of workers in the framework of the provision of services OJ L 18, 21.1.1997, p. 1-6; Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations (Rome I) OJ L 177, 4.7.2008, p. 6-16.

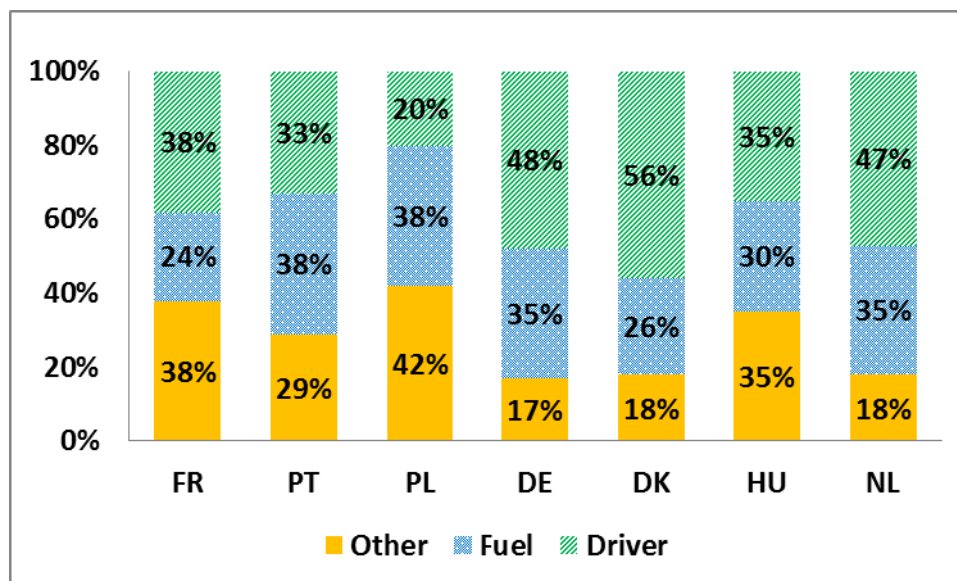


Figure 7: Cost Breakdowns of Hauliers from Selected Member States. Source: Collection and Analysis of Data on the Structure of the Road Haulage Sector in the European Union, AECOM 2013.

Furthermore, harmonisation has continued in other fields of EU competence with an influence on operating costs of road haulage undertakings, such as road charging. These developments are further detailed in section 6 of this document.

3.2. Developments in Labour Costs

Remuneration in the road haulage sector is commonly split into different cost components. Monthly wages are fixed in respect of minimum wages or collective agreements¹⁹. Average wage levels vary according to the type of transport (national or international) carried out, with rates for international transport higher than those for national transport. In addition to these variations, other forms of remuneration are usually added to set wage levels, the most common being daily allowances (per diems) and distance-based bonuses²⁰. Due to the importance of labour costs in hauliers' operating cost structures, differences in wage levels can impact business practices in the sector. Companies can out-flag their activities to Member States with lower labour costs. If carried out in compliance with the requirements of establishment set out in Regulation (EC) No 1071/2009, the practice of out-flagging can contribute to cross-border investment flows and strengthen the integration of the EU transport market. However, certain cases of out-flagging (such as cases where activity is carried out

¹⁹ In July 2013, 21 of the EU's 28 Member States (all except Denmark, Germany, Italy, Cyprus, Austria, Finland and Sweden) had national legislation setting a minimum wage by statute or by national intersectoral agreement. Collective agreements are in place in those Member States that do not set a minimum wage, although these collective agreements may only apply to certain undertakings (such as those that are members of Chambers of Commerce), and may differ within Member State from region to region.

²⁰ According to Regulation (EC) No 561/2006, distance-based allowances are illegal if they are of a nature which may endanger road safety.

exclusively in one Member State other than the one of registration) may be the sign of a deliberate avoidance of taxes and labour charges.

Although the situation of individual markets must be assessed in more detail, there are indications that the level of differences in wages is reducing to a point where the risk of unlawful behaviour is mitigated²¹. Nonetheless efforts to improve enforcement must be continued. While disparities remain, absolute levels of labour costs are increasing faster in the Member States that joined the EU in 2004 and 2007. All remuneration elements considered, wages of Romanian drivers in international transport appear to be reaching similar levels to those of Spanish hauliers (4-5 €/hour)²². These evolutions are in line with the convergence of average wage levels in the EU, as shown in Figure 8. As a result, differences in wage levels in the road haulage sector are comparable with differences in average wages throughout the EU and across the economy. The chart below shows the relative increase in the wages of workers from the EU-12, compared to those from the EU-15.

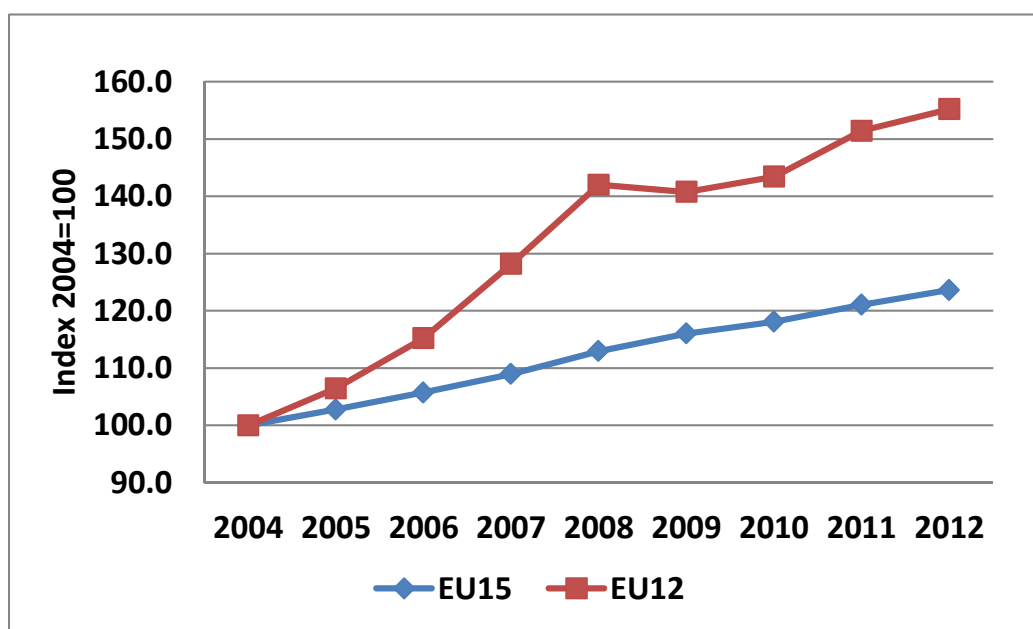


Figure 8: Evolution of the Labour Cost Index of the Business Economy in the EU-15 and EU-12 Member States since 2004. Source: Eurostat, DG MOVE.

As shown above, the differences in wage levels in the road haulage sector remain similar to the average differences in wages between Member States throughout the economy. However, it should be noted that these differences may have a higher impact on competition in this sector due to the mobile nature of road haulage activities. Contrary to other sectors, transport services can be provided in other Member States on a temporary basis while partly retaining the wage conditions of the Member State of residence. However, EU legislation exists which

²¹ Auch zu Hause wird gut verdient - Deutscher Arbeitsmarkt für bulgarische und rumänische LKW-Fahrer wenig attraktiv, Deutsche Verkehrszeitung, 28 January 2014.

²² Collection and Analysis of Data on the Structure of the Road Haulage Sector in the European Union, AECOM 2013.

in some cases may increase the protection of non-resident workers providing services on a temporary basis in other Member States. Directive 96/71/EC on posting of workers²³ applies to drivers, if they fall within the scope of the Directive. Regulation (EC) No 593/2008 on contractual obligations²⁴ lays down the general criteria for determining the law applicable to contractual obligations. In certain cases the law that would normally be applicable to the contract may be set aside, to be replaced by the mandatory rules within the meaning of private international law that apply at the place where the work is habitually carried out (Article 8).

3.3. Developments in Fuel Cost Levels

Fuel costs throughout the EU have followed developments of crude oil prices on international markets and do not vary extensively. This can be partly traced back to the gradual harmonisation that is taking place in taxation of energy products and electricity in the European Union, which is governed by the provisions of Council Directive 2003/96/EC (the 'Energy Taxation Directive')²⁵. The structure of fuel excise duties is harmonised: among others things, the Directive establishes minimum tax levels on energy products used as motor fuel. However, Member States are free to set their own national tax rates the way they see fit. The national tax rates differ from one Member State to the other. Fuel costs are lowest in Luxembourg, highest in the United Kingdom.

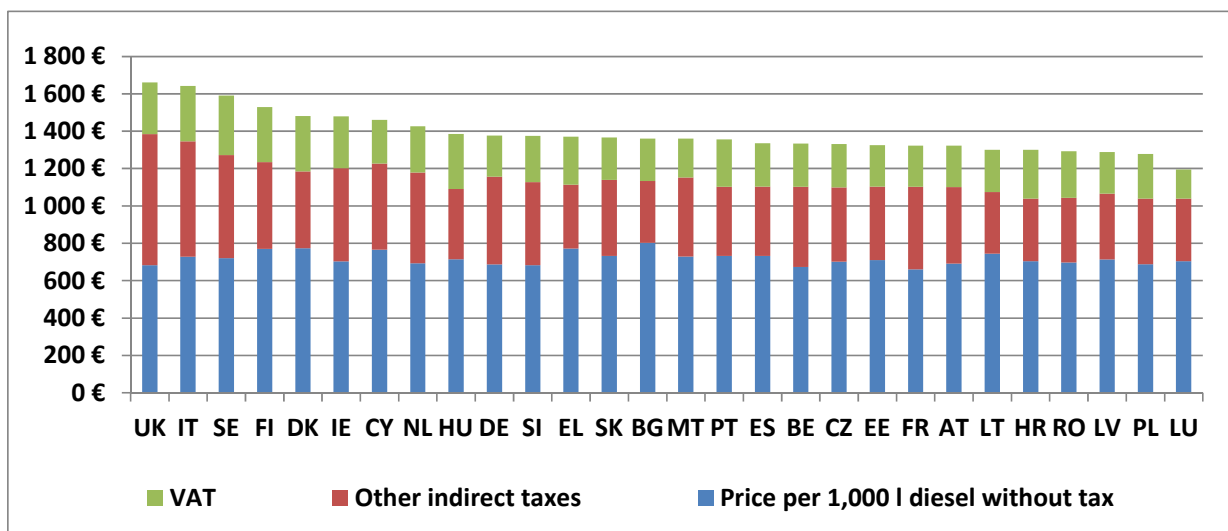


Figure 9: Typical Diesel Fuel Cost per 1,000 Litres by Member State (January 2014).
Source: Market Observatory Oil Bulletin, 2014, European Commission, DG Energy.

3.4. Other Cost Drivers

Aside from these two main cost drivers, road haulage companies incur other fees such as:

²³ Directive 96/71/EC of the European Parliament and of the Council of 16 December 1996 concerning the posting of workers in the framework of the provision of services, OJ L 18, 21.1.1997, p. 1.

²⁴ Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations (Rome I), OJ L 177, 4.7.2008, p. 6.

²⁵ Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity, OJ L 283, 31.10. 2003, p. 51.

- One-off charges relating to the establishment of the undertaking (including purchase and registration of vehicles);
- Periodic taxes on ownership or circulation of vehicles;
- Taxes deriving from the use of vehicles (income tax, time- or distance-based road charges).

The relative level of these fees may impact business behaviour. Significant differences in levels of fees could encourage cases of unlawful out-flagging which in turn disadvantages law-abiding companies. Although taxation and charging levels continue to differ, there are indications that the net amount of charges paid per vehicle is reaching similar levels throughout the EU.

Differences continue to exist in the levels of the costs levied on establishment, on vehicle registration and on circulation fees. Establishment fees vary from a one-off fee of around €40 in the Czech Republic to over €1,000 in Bulgaria²⁶. Vehicle taxes (be they registration or ownership taxes) also vary between Member States. The variation in levels of charges does not follow the EU12-EU15 divide that can be seen in the case of labour costs. Annual vehicle taxes, for instance as shown in Figure 10 below, vary in a range of 1 to 10. Among the 10 most costly Member States for annual vehicles taxes, three are from the EU-12 (Czech Republic, Hungary and Bulgaria).

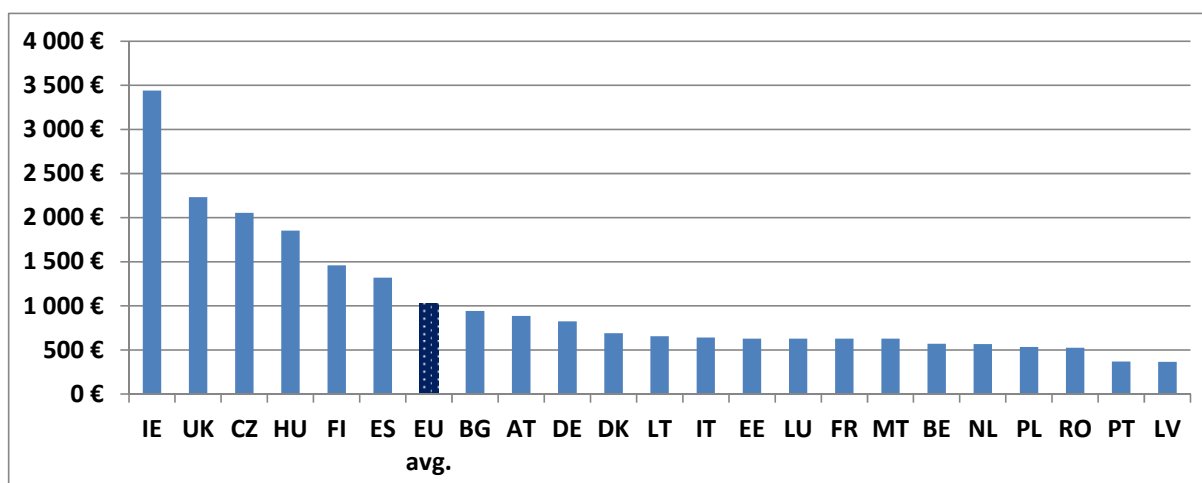


Figure 10: Annual Vehicle Tax (€) for a Standard Tractor Semitrailer Combination (2012), Source: ACEA Tax Guide 2012.

Without carrying out a detailed analysis of the levels of difference of each cost component, it is interesting to note that despite these differences, the average level of taxes and charges on domestic routes does not seem to vary significantly between Member States. According to OECD calculations as shown in Figure 10, the net amount of charges paid per vehicle kilometre average 0.18 EUR with relatively little variation between Member States. The

²⁶ Collection and Analysis of Data on the Structure of the Road Haulage Sector in the European Union, AECOM 2013.

highest charges in the EU are collected in Germany (0.34 EUR/vkm) and the lowest in Bulgaria, Luxembourg, Latvia, Lithuania, and Romania (0.11 EUR/vkm).

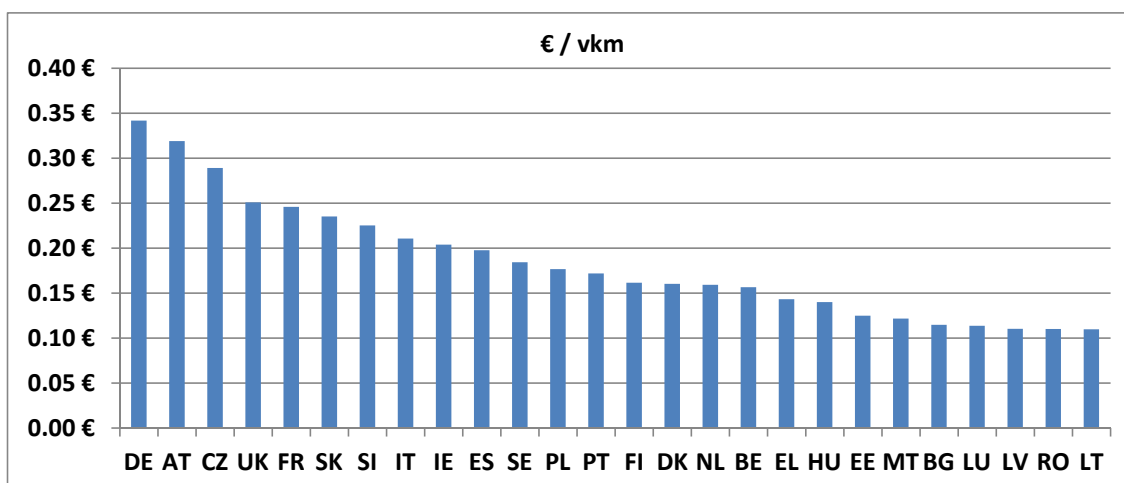


Figure 11: Net Amount of Charges Paid per Vehicle-km (Domestic Haul, 2012). Source: Road Haulage Charges and Taxes. Summary analysis and data tables 1998-2012, OECD 2013.

This may partly be due to the increasing use by Member States of territory-based road user charges (be these vignettes or tolls). Since the adoption and subsequent revision of Directive 1999/62/EC on the charging of heavy goods vehicles²⁷, an increasing number of Member States have put in place road user charging schemes. In a context of converging cost structures, EU hauliers will increasingly be called upon to improve their efficiency and quality of service. This improvement would benefit the customers of the road haulage industry, notably freight forwarders and the retail industry, and through them increase the efficiency and competitiveness of the EU economy as a whole.

4. ENFORCEMENT OF PROVISIONS ON ACCESS TO THE ROAD HAULAGE MARKET

Regulations (EC) No 1071/2009²⁸ and 1072/2009 aim to provide undertakings with fair access to the international road haulage market, including by providing additional criteria for enforcement authorities to control compliance with these. Correct enforcement of these Regulations is necessary to ensure that the companies active on the road haulage market are reliable and compete on an equal footing. Nevertheless, the enforcement of certain of their provisions remains problematic. Two aspects in particular constitute a source of difficulty for hauliers and enforcement authorities: the provisions on stable and effective establishment, in

²⁷ Directive 1999/62/EC of the European Parliament and of the Council of 17 June 1999 on the charging of heavy goods vehicles for the use of certain infrastructures, as modified by Directive 2006/38/EC and by Directive 2011/76/EU.

²⁸ Regulation (EC) No 1071/2009 of the European Parliament and of the Council of 21 October 2009 establishing common rules concerning the conditions to be complied with to pursue the occupation of the road transport operator and repealing Council Directive 96/26/EC, OJ L 300, 14.11.2009, p. 51.

the case of Regulation (EC) No 1071/2009 and those on cabotage in the case of Regulation (EC) No 1072/2009.

4.1. Enforcement of Regulation (EC) No 1071/2009

Regulation (EC) No 1071/2009 on access to the occupation of road transport operator brought together several pieces of legislation, with the aim of simplifying and supplementing their enforcement. It also brought into place additional requirements, notably a criterion of stable and effective establishment for road haulage undertakings, provisions for a single format of Community licenses, specific requirements for transport managers and increased cooperation between Member States in the field of enforcement (notably via the interconnection of national registries of road transport undertakings, ERRU).

These changes have contributed to further harmonisation, notably with regard to the formats of Community licenses. However, work remains to be done to complete the implementation of this Regulation, notably via the full interconnection of ERRU. Punctual reports also show that 'letterbox' companies (that is to say, companies "established" in a Member State for tax purposes, where they do not carry out their administrative functions or commercial activities, in violation of Article 5 of Regulation (EC) No 1071/2009) still exist in certain Member States. This practice is not in line with the intention of the legislator. Such practices are occasionally documented²⁹, but remain difficult to quantify due to their illegal nature.

Such 'letterbox' companies continue to exist due to the differences in resources and priority levels given to enforcement in the Member States concerned. This may create difficulties for other Member States reporting such companies to their Member States of registration, who may not be able to rely on a strong level of support from their counterparts. In addition, the provisions regulating enforcement of the 'stable establishment' requirement are weak³⁰. There seems therefore to be a case for increased cross-border cooperation in this area, and for a more stringent enforcement of the relevant provisions.

4.2. Regulation (EC) No 1072/2009: Implementation Issues and National Developments

Enforcement authorities and hauliers alike report differences in the methods used to enforce Regulation (EC) No 1072/2009. These differences may be deterring hauliers from undertaking activities in domestic markets abroad. Despite attempts to clarify the terms of Regulation (EC) No 1072/2009³¹, differences remain in the implementation of certain

²⁹ The inspection activity within posting of workers in the road transport: a guide for control authorities. Final report of the TRANSPO project, March 2012 www.tagliacarne.it/download/229.html

³⁰ According to Article 12(2) of Regulation (EC) No 1071/2009: "Until 31 December 2014, Member States shall carry out checks at least every 5 years to verify that undertakings fulfil [the requirements for engagement in the occupation of road transport operator]".

³¹ The new cabotage regime under Regulation (EC) No 1072/2009, Questions & Answers. European Commission, 2011
http://ec.europa.eu/transport/modes/road/haulage/doc/qa_the_new_cabotage_regime_2011.pdf

provisions. Finland for instance considers multi-drop operations (in which a haulier drops off part of a single load in several destinations, such as subsidiaries of a same company) as several transport operations, whereas in others multi-drop operations are counted as a single transport operation. The enforcement authorities of Denmark or Finland demand that hauliers be able to show evidence of cabotage operations in the form of a consignment form on the spot in the case of a check. Others provide hauliers with some time to gather this information if it is not readily available, for instance in the case where the consignment letter is not carried with the load.

In addition, certain Member States have displayed a tendency towards restricting the conditions under which hauliers can perform international transport and cabotage operations through regulatory means and enforcement practices. Examples include discrimination by enforcement authorities of vehicles belonging to subsidiaries of local companies established in another Member State or the application of restrictive provisions to types of goods mainly transported by non-resident hauliers. Private initiatives, tolerated by the authorities, contribute to stigmatising foreign drivers. In one Member State, a smartphone application to track and trace foreign-registered trucks is encountering some success with local drivers. In the long term, those regulatory and private initiatives risk undermining the internal market *acquis* in the field of transport and notably the efficiency gains resulting from the opening of the market for cross-border transport.

The relevance of such practices appears all the more questionable in view of the low level of documented infringements to cabotage provisions. While concerns exist regarding illegal cabotage operations (that is to say cabotage operations exceeding the three operations possible under Regulation (EC) No 1072/2009, or which do not take place after an international carriage, or longer than seven days after an international carriage), enforcement authorities have generally not been able to substantiate these claims. In the Member States where extensive cabotage checks have taken place, infringement levels were low (1.7% of all vehicles checked in the case of Denmark³²). Other infringements, such as non-respect of driving times having impacts on both competition between hauliers and on safety, are more commonly encountered by enforcement authorities.

In conclusion, Regulations (EC) No 1071/2009 and 1072/2009 are understood, interpreted and applied differently in different Member States. As a result, the operators are faced with a costly and confusing patchwork, which the 2009 package was intended to do away with in the first place.

³² <http://ekstrabladet.dk/112/article2107804.ece>, for further information please see: <http://www.ft.dk/samling/20121/almdel/TRU/spm/464/svar/1050069/1244171/index.htm?samling/20121/almdel/TRU/spm/464/svar/1050069/1244171/index.htm>

4.3. Revision of the Regulations under the REFIT exercise

In its Communication on EU Regulatory Fitness of December 2012³³ the Commission launched the Regulatory Fitness and Performance Programme (REFIT), which aims at making EU law clearer and reducing regulatory burden. The screening exercise that followed the Communication identified the revision of Regulations (EC) No 1071/2009 and (EC) No 1072/2009 as a priority. A simplification of the Regulations would allow control officers to enforce these in a more efficient and uniform way, providing hauliers with a consistent interpretation of the Regulations and a predictable operating environment. The revision would aim on the one hand at clarifying the problematic terms of the Regulations, notably the definition of stable and effective establishment in Regulation (EC) No 1071/2009 and of cabotage in Regulation (EC) No 1072/2009. Furthermore, the possibilities for cooperation between Member States in enforcing Regulation (EC) No 1071/2009 could be further strengthened. Finally, a revision could improve the enforcement of the Regulations. The introduction of further prescriptive provisions on the frequency and modalities of checks would help to address the discrepancies that exist in the enforcement of the Regulations. Enforcement could also be made more efficient by making better use of new technical control possibilities, such as the new generation of digital tachographs.

5. SOCIAL DIMENSION OF THE ROAD HAULAGE SECTOR

EU legislation provides both a general and a sectoral framework aimed at ensuring road safety, adequate working conditions, and undistorted competition in the road haulage sector. This framework includes Regulation (EC) No 561/2006 on driving time and rest periods³⁴ and Directive 2002/15/EC on working time of mobile workers³⁵. To ensure that these rules are correctly enforced, these provisions are completed by rules on minimum levels of checks (Directive 2006/22/EC³⁶) and detailed legal and technical provisions on the recording equipment to be used in road transport (Regulation (EEC) No 3821/85³⁷). An insufficient level of compliance with these rules could lead to adverse consequences. These include a degradation of working conditions for road transport workers, increased risks for road safety and other road users, and disadvantaging compliant undertakings.

³³ EU Regulatory Fitness (COM(2012)746)

³⁴ Regulation (EC) No 561/2006 of the European Parliament and of the Council of 15 March 2006 on the harmonisation of certain social legislation relating to road transport and amending Council Regulations (EEC) No 3821/85 and (EC) No 2135/98 and repealing Council Regulation (EEC) No 3820/85, OJ L 102, 11.4.2006, p. 1.

³⁵ Directive 2002/15/EC of the European Parliament and of the Council of 11 March 2002 on the organisation of the working time of persons performing mobile road transport activities, OJ L 80, 23.3.2002, p. 35.

³⁶ Directive 2006/22/EC of the European Parliament and of the Council of 15 March 2006 on minimum conditions for the implementation of Council Regulations (EEC) No 3820/85 and (EEC) No 3821/85 concerning social legislation relating to road transport activities and repealing Council Directive 88/599/EEC, OJ L 102, 11.4.2006, p. 35.

³⁷ Council Regulation (EEC) No 3821/85 of 20 December 1985 on recording equipment in road transport, OJ L 370, 31.12.1985, p. 8

Continued efforts are taking place to further improve the enforcement of these provisions. This includes the elaboration by the Commission of guidance and clarification notes put at the disposal of Member States and stakeholders³⁸. However, guidance notes remain non-binding documents. As a result, the Commission cannot sanction Member States that do not follow them. The elaboration of guidance notes is difficult (a guidance note on the '24 hour period' for calculation of driving time and rest periods has been under discussion for over 4 years and its text has not yet been finalised). The track record of Member States actually applying the guidance notes that have been discussed with them in the relevant committee also shows significant differences.

Efforts continue in cooperation with stakeholders. The TRACE project³⁹, which created a common training curriculum for roadside enforcement officers, has been completed. The 2011 White Paper on Transport⁴⁰ identified the promotion of quality jobs and working conditions as a priority.

5.1. Working Conditions

Working conditions in the road haulage sector are difficult, as shown by the low attractiveness of the sector. Among the reasons for this are: the mobile nature of road transport activities and long periods spent away from base. Other risk factors identified by the European Agency for Safety and Health include the fact that drivers often work in isolation, just-in time management and client demands leading to high work pressure, working on sites of others, increasing use of remote monitoring and complex technology, workplace design, accessibility of facilities and services (hygienic, food and medical), risk of infectious diseases, violence and assault, prolonged sitting and exposure to vibration, accident risks when loading and unloading, and the road safety risks associated with work in road traffic⁴¹. The same report also identifies the atypical working hours in the sector as a factor that may have negative health effects. Globally however accidents involving heavy-duty vehicles are decreasing, whereas compliance with provisions on driving time and rest periods is improving⁴².

The increase in 'just-in-time' management practices, which have developed thanks to new technical possibilities available in the logistics sector, means that drivers are subject to pressure to meet delivery deadlines. The pressure on road transport workers is perceived to have increased during the on-going economic crisis, and is believed by stakeholders to be linked to various unlawful practices such as exceeding driving times, performance-based

³⁸ http://ec.europa.eu/transport/modes/road/social_provisions/driving_time/guidance_notes_en.htm

³⁹ <http://www.traceproject.eu>

⁴⁰ White Paper "Roadmap to a Single European Transport Area – toward a competitive and resource efficient transport system", COM(2011)144. final

⁴¹ OSH in figures: Occupational safety and health in the transport sector — An overview, European Agency for Safety and Health at Work, 2011.

⁴² Overview and Evaluation of Enforcement in the EU Social Legislation for the Professional Road Transport Sector, European Parliament 2012.

remunerations endangering road safety or bogus self-employment⁴³. The main social issues identified by stakeholders as requiring future legislative action are set out in Table 2.

Issue	Degree of importance
Illegal/unfair employment schemes creating social dumping (including 'letter-box companies')	*****
Lack of enforcement and controls	*****
Social harmonisation across the EU27 Member States is far from being achieved	****
Illegal cabotage operations	****
Quality of rest and dedicated facilities	***
Driving time and rest periods	**

Table 2: Issues Identified by Stakeholders as Requiring Future Legislative Action with Respect to Social and Working Conditions in the Road Freight Transport Sector. Source: Social and Working Conditions of Road Transport Hauliers, European Parliament, 2013.

The issues highlighted by stakeholders in Table 2 are closely linked to the implementation of Regulations (EC) 1071/2009 and 1072/2009, although enforcement falls within the competencies of Member States. The unsatisfactory enforcement of these provisions can be traced back to the absence of binding provisions on the number and frequency of checks in the two Regulations. The lack of such provisions also creates difficulties for the Commission to monitor the implementation of these Regulations. The latter therefore stands to be improved by the introduction of binding provisions on enforcement.

Driving time and rest periods remain an area of concern. Recent evaluations show that compliance with the relevant legislation is improving⁴⁴, while differences in enforcement practices of Member States continue to exist⁴⁵. The share of checks carried out at the roadside or at company premises continues to vary, as does the share of working days checked. This reflects both differences in the resources devoted by Member States to enforcement, as well as differences in transport markets (while checks at the premises are effective in Member States where large companies are prevalent, roadside checks may be more effective in markets dominated by small undertakings).

Recent research also tends to show that risks related to social security competition are limited, due to a levelling of productivity-adjusted labour costs and the harmonisation of a number of

⁴³ Social and Working Conditions of Road Transport Hauliers, European Parliament, 2013.

⁴⁴ Report on the implementation in 2009-2010 of Regulation (EC) No 561/2006 on the harmonisation of certain social legislation relating to road transport and of Directive 2002/15/EC on the organisation of the working time of persons performing mobile road transport activities, SWD(2012) 270 final.

⁴⁵ Overview and Evaluation of Enforcement in the EU Social Legislation for the Professional Road Transport Sector, European Parliament 2012.

labour standards. In addition, Member States with lower cost bases are not shown to have poorer enforcement levels in relation to social and labour legislation. There is therefore no evidence that non-respect of labour legislation would lend them a competitive advantage.⁴⁶ This being said, efforts remain to be made across the board to improve the enforcement of cross-sector social legislation in the road transport sector.

5.2. Anticipating Change

The road haulage sector is already affected by a number of major long-term changes; starting with the on-going shortage of drivers. Road haulage workers are an ageing population, with over 250,000 drivers expected to retire in Germany alone over the next 10 to 15 years⁴⁷. This, combined with the lack of qualified drivers that has already been identified before the economic crisis, will strongly affect road haulage companies' recruitment possibilities. The results of this shortage can already be felt in certain Member States such as Latvia where third country drivers are being recruited, for the time being in small numbers.

The European Agency for Safety and Health stresses the changing nature of the job content of transport workers. The increased use of technology is a defining factor in international transport. On-board computers, new generation digital tachographs and other telematics equipment play an increasing role in organising traffic movements and checking compliance with the applicable legislation. Other technical improvements (new propulsion systems, automated highway systems) will also change the content of drivers' jobs. Combined with the increase in average age of drivers, this will create new training needs for drivers. While life-long learning should be considered a priority, the curriculum of learner drivers should also be adapted.

The Commission will continue its dialogue with Member States and stakeholders in order to anticipate these changes. The Social Sectoral Dialogue Committee exists as a tool which can be used to proactively address such upcoming challenges. Contributions from the social partners with a view to adopting a social code for mobile road transport workers, as mentioned in Initiative 8 of the 2011 White Paper on Transport, would be welcome. As underlined in the Commission Communication on an integrated industrial policy for the globalisation era putting competitiveness and sustainability at centre stage⁴⁸, dealing with the employment market challenges in the framework of social dialogue are key elements of a competitive and efficient industrial policy. In the context of an upcoming shortage of drivers, measures to improve the usage of vehicles (e.g. facilitating load consolidation, distribution planning) should also be encouraged. Market opening, which would likely contribute to a more efficient use of vehicles, could also help to address this shortage.

⁴⁶ Social Competition in the EU: Myths and Realities, Notre Europe – Jacques Delors Institute, 2013.

⁴⁷ ZF-Zukunftsstudie Fernfahrer. Der Mensch im Transport- und Logistikmarkt, Institut für Nachhaltigkeit in Verkehr und Logistik, Stuttgart 2012.

⁴⁸ COM(2010)614 final.

6. OTHER REGULATORY DEVELOPMENTS

Following the adoption of Regulation (EC) No 1072/2009, the EU legislator has taken steps to further harmonise the internal market for road haulage by adopting additional legislative measures, as highlighted below. In the context of market opening, these developments contribute to harmonising the market conditions affecting EU hauliers.

6.1. Road Charging

Directive 1999/62/EC, as amended by Directive 2006/38/EC, was modified further with Directive 2011/76/EU. This Directive sets a common framework for Member States setting up distance-related tolls and time-based user charges (vignettes) for heavy goods vehicles (above 3.5 tonnes) for the use of certain infrastructure. With the 2011 amendment, the Directive integrated elements aimed at better reflecting the 'polluter pays' principle, such as possibilities for Member States to charge hauliers for their vehicle's impact on air quality and sound levels. While none has so far started internalising external costs, a growing number of Member States now use a form of infrastructure charging:

- Vignette systems in place: Bulgaria, Romania, Hungary and Lithuania have national vignette systems for trucks. The UK will implement a vignette as of 1 April 2014. Sweden, Denmark, the Netherlands, Belgium and Luxembourg operate the shared "Eurovignette".
- Vignette systems in development: Latvia.
- Electronic network wide tolling systems in place: Germany, Austria, the Czech Republic, Hungary, Slovakia, Poland and Portugal.
- Electronic network wide tolling in development: Denmark, Belgium and France. France will only be applying the charges to existing untolled state-owned motorways and national roads, so it will retain its present system of tolls with physical barriers on motorway concessions.
- Tolls with physical barriers: includes Ireland, France, Spain, Italy, Slovenia and Greece. Although other countries have manual tolling on a small number of roads, the scale is not significant. Poland and Portugal also have tolls with physical barriers on part of the network, although they are classified as having electronic network-wide tolling in place because this is the primary system.
- No tolls: Latvia, Finland, Estonia, Malta and Cyprus

In addition, efforts are on-going to roll out the European Electronic Toll Service (EETS). The technical specifications on interoperability of EETS are contained in Directive 2004/52/EC⁴⁹,

⁴⁹ Directive 2004/52/EC of the European Parliament and of the Council of 29 April 2004 on the interoperability of electronic road toll systems in the Community, OJ L 166, 30.4.2004, p. 124.

whereas the Commission Decision 2009/750/EC⁵⁰, which defined the specifications of EETS, entered into force in October 2009. Efforts are now focusing on regional Electronic Toll Services as a step towards EU-wide coverage.

6.2. Vehicle Specifications

The criteria applicable to vehicles used by EU hauliers have changed substantially since the adoption of Regulation (EC) No 1072/2009. The entry into force of the Euro VI emission standard in January 2013 (following the entry into force of Euro V emission standards in 2008) has led to a faster renewal of vehicle fleets in both the EU15 and the EU12, where the average age of vehicles in use is higher⁵¹. Overall, vehicles that are more modern are used in international road haulage than in domestic haulage, partly due to the lower toll levels applied to such vehicles and to their lower fuel consumption, but also due to the need to regularly replace these vehicles, which quickly reach a high mileage.

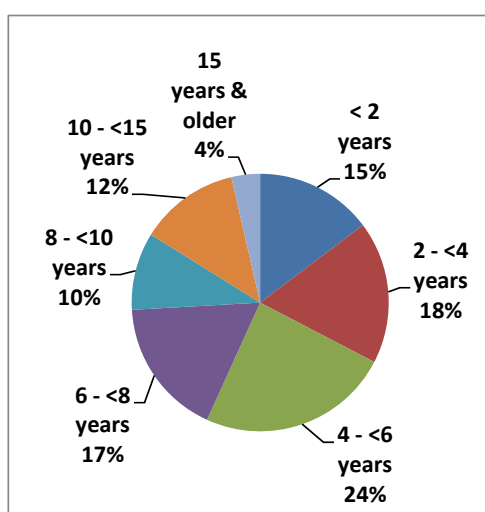


Figure 12: Age distribution of heavy goods vehicles used by EU27 hauliers in 2012 (share in total vehicle-km in %). Source: Eurostat, DG MOVE.

In addition to the adoption of Euro standards, vehicle specifications will be further harmonised by the adoption of harmonised European type-approval requirements for heavy-duty motor vehicles and their trailers, which entered into force in 2012⁵².

⁵⁰ Commission Decision 2009/750/EC of 6 October 2009 on the definition of the European Electronic Toll Service and its technical elements, OJ L 268, 13.10.2009, p. 11-29.

⁵¹ On average, half of all vehicle-km driven by EU15 hauliers are from vehicles which are up to 5 years old. The corresponding share for EU12 hauliers is closer to a third (32%). The fleet used for international transport operations is usually much younger than the one used for national transport operations. There are no big differences in the average age of vehicles from any Member State used in international transport.

⁵² Commission Regulation (EU) No 1230/2012 of 12 December 2012 implementing Regulation (EC) No 661/2009 of the European Parliament and of the Council with regard to type-approval requirements for masses and dimensions of motor vehicles and their trailers and amending Directive 2007/46/EC of the European Parliament and of the Council, OJ L 353, 21.12.2012, p. 31-79.

6.3. Road Safety

Safety records in the EU, including those of heavy goods vehicles (HGV), are continuously improving and do not show any negative impact following the adoption of new provisions on access to the road haulage market in 2009. As can be seen in the table below, accidents involving an HGV and leading to fatalities have decreased in nearly all of the Member States concerned.

	2008			2009			2010			2010 change from 2008 (HGV)
	HGV	Total	HGV as % of Total	HGV	Total	HGV as % of Total	HGV	Total	HGV as % of Total	
Belgium	122	944	13%	117	944	12%	111	840	13%	-9.0%
Czech Republic	169	1076	16%	163	901	18%	175	802	22%	+3.6%
Denmark	62	406	15%	35	303	12%	36	255	14%	-41.9%
Germany	625	4477	14%	536	4152	13%	534	3648	15%	-14.6%
Ireland	44	280	16%	22	238	9%	13	212	6%	-70.4%
Greece	138	1553	9%	113	1456	8%	127	1258	10%	-8.0%
Spain	452	3099	15%	353	2714	13%	333	2479	13%	-26.3%
France	596	4275	14%	502	4273	12%	552	3992	14%	-7.4%
Italy	977	4725	21%	785	4237	19%	835	4090	20%	-14.5%
Luxembourg	2	35	6%	2	48	4%	9	32	28%	+350.0%
Netherlands	107	677	16%	95	644	15%				
Austria	107	679	16%	81	633	13%	97	552	18%	-9.3%
Poland	1,155	5437	21%	952	4572	21%	947	3908	24%	-18.0%
Portugal	112	885	13%	120	840	14%	95	937	10%	-15.2%
Romania	292	3061	10%	252	2796	9%	191	2377	8%	-34.6%
Slovenia	7	214	3%	12	171	7%	7	138	5%	0.0%
Finland	106	344	31%	70	279	25%	92	272	34%	-13.2%
Sweden	72	397	18%	45	358	13%				

United Kingdom	380	2645	14%	287	2337	12%	282	1965	14%	-25.8%
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Table 3: Fatalities Involving a HGV by Member State (2008 - 2010). Source: Traffic Safety Basic Facts 2012, Heavy Goods Vehicles and Buses, European Road Safety Observatory.⁵³

This decrease results partly from the decrease in freight transport volumes which took place between 2008 and 2010 (-7%). However other factors are likely to have contributed to reducing the rate of accidents involving HGVs, such as technical improvements to vehicles to better enforcement of traffic rules. The adoption of rules on better cooperation in the enforcement of various traffic offences⁵⁴ is an initiative to be noted in this respect. Following the end of the transposition period on 7 November 2013, its full impact can be expected to be felt in the coming months.

This trend can be expected to continue since several proposals are currently in the legislative process which, when adopted, will contribute to better maintaining existing vehicles⁵⁵ and to put on the market vehicles which are safer for vulnerable road users⁵⁶.

6.4. Fuel Taxation

Energy products, including commercial fuel are subject to the above-mentioned Directive 2003/96/EC on the taxation of energy products and electricity. Among others, this Directive sets minimum levels of excise duties for fuel. The Commission adopted a proposal to review this Directive on 13 April 2011⁵⁷. If adopted, the proposal would align energy taxation policies to reflect the environmental impact of fuels and other energy products, thus creating a further incentive for hauliers to use cleaner vehicles.

7. CONCLUSIONS

7.1. Market situation

The main developments affecting the road haulage market since the adoption of Regulation (EC) No 1072/2009 consist of overarching trends such as the economic crisis and the

⁵³ Some Member States did not submit comparable data and are therefore not shown. These Member States are Bulgaria, Hungary, Estonia, Latvia, Lithuania, Slovakia, Malta and Cyprus. Sweden and the Netherlands did not submit data for 2010.

⁵⁴ Directive 2011/82/EU of the European Parliament and of the Council of 25 October 2011 facilitating the cross-border exchange of information on road safety related traffic offences, OJ L 288, 5.11.2011, p. 1-15.

⁵⁵ Proposal for a Regulation of the European Parliament and of the Council on periodic roadworthiness tests for motor vehicles and their trailers and repealing Directive 2009/40/EC (COM(2012) 380 final).

⁵⁶ Proposal for a Directive of the European Parliament and of the Council amending Directive 96/53/EC of 25 July 1996 laying down for certain road vehicles circulating within the Community the maximum authorised dimensions in national and international traffic and the maximum authorised weights in international traffic (COM(2013) 195 final).

⁵⁷ Proposal for a Council Directive amending Directive 2003/96/EC restructuring the Community framework for the taxation of energy products and electricity (COM(2011) 169/3).

successive enlargements of the EU. Although the sector appeared to be slowly recovering from the economic crisis until 2011, transport volumes have since dropped again, following developments in the rest of the economy. Other major trends that had been present before the economic crisis continue to play a significant part in defining transport movements, such as the growing role of freight forwarders and third party logistics providers in consolidating loads and in contractual relations with hauliers.

The adoption of the 2009 road package has contributed to providing hauliers and enforcers with common standards and criteria for access to the occupation and to the international road haulage market. However, certain provisions of Regulation (EC) No 1072/2009 are difficult to apply, in particular those relating to stable establishment of road haulage undertakings and to cabotage. Furthermore, the patchwork of national legislations that the 2009 recast intended to do away with is re-emerging, with detrimental consequences for the internal market for road transport.

Finally, the sector will face a number of challenges in the future. To respond to these, it will need to improve its efficiency. The shortage of drivers is mitigated by the crisis but remains a source of concern, particularly for specialised drivers. In the future, this will create new demands for drivers and qualifications, including within an ageing workforce. In addition, working conditions remain difficult in the road haulage sector, while contractual relations remain marked by high levels of self-employment. With a decreasing pool of available drivers, companies must reduce high levels of empty running in order to make better use of their staff. Improved efficiency of the road haulage sector will contribute to the competitiveness of the EU economy as a whole.

7.2. Convergence of market indicators

As in other parts of the economy, EU Member States have different cost structures in the road haulage sector. Whilst it is unlikely that cost differences will disappear entirely, the gap has been constantly narrowing. Hauliers involved in international transport are exposed to costs such as road charging and fuel costs, which are applied to users regardless of the Member State of registration. Furthermore, the participation of drivers in international transport operations, in which remunerations are traditionally higher, has led to an increase in wage levels particularly in those Member States that joined the EU in 2004 and 2007. The gradual convergence of cost levels compels hauliers to compete on efficiency and quality of services, benefitting transport users throughout the EU economy. However, it is not a competence of the EU nor is it an aim of the Single Market to equalise costs.

In addition, legislative developments have taken place that are leading to further harmonisation of the framework conditions in the road haulage sector. This includes the increasing use of road charging systems, additional technical harmonisation and enhanced safety of road transport vehicles, and increased cooperation between EU Member States in tackling traffic offenses. These developments limit the risk for road safety that an increase in competitive pressure could create, notably in the case of further market opening.

There is some scope for further harmonisation in enforcement of the provisions on access to the road haulage market, which continue to diverge between Member States. In particular, the provisions on cabotage in Regulation (EC) No 1072/2009 and on stable and effective establishment in Regulation (EC) No 1071/2009 do not appear to be applied in a uniform way. This prevents hauliers from operating in a level-playing field, and creates difficulties for the enforcement authorities responsible for applying these rules. Addressing such shortcomings will help to limit unlawful out-flagging, which negatively affects competition and working conditions.

7.3. Next steps

From the elements above it transpires that a further reform to clarify the provisions on access to the EU road haulage market should be considered. A balanced reform, including provisions to ensure the uniform application of market access rules, would bring clarity to the legal provisions that Member States and the industry understand and apply differently. Clearer rules would provide the basis for an enhanced culture of compliance and limit the possibilities for fraud (both in the fiscal or social sphere). This is a *sine qua non* condition to improving the coherence of enforcement that is expected of a Single European Transport Area. The planned revision of Regulations (EC) No 1071/2009 and (EC) No 1072/2009 under the REFIT exercise will mark a first step in this direction.

On the basis of appropriate enforcement measures, a gradual review of certain archaic restrictions that still exist to market access would appear appropriate. The conditions to the operation of cabotage restrict the markets accessible to EU hauliers, as domestic markets account for around two thirds of all road transport volumes moved. Gradually removing these restrictions could contribute to reducing the administrative burden that the current complex unclear rules create. In addition, this would allow a more efficient matching of transport offer and demand. As research has shown, relaxing the restrictions to cabotage could contribute to a more economical and resource-efficient road transport sector, as this could lead to a reduction of empty runs, and would play a part in increasing the sector's economic and fuel efficiency. Other initiatives will also contribute to this, such as the forthcoming Communication containing a strategy for Reducing Heavy-Duty Vehicles Fuel Consumption and CO₂ Emissions.

To ensure that the economic and social dimensions go hand in hand, it will be necessary to design measures aiming at restoring the attractiveness of the profession and improving the working environment of drivers. This includes measures on enforcement, control and mitigation of fiscal and social fraud, as well as improved training levels and skills. This would benefit the economy as a whole, and would improve the attractiveness of the profession. Providing the industry with a highly trained and available workforce would also help in responding to the impending driver shortage. In addition, work should continue to improve the enforcement of the EU social provisions in road transport, including those relating to driving time and rest periods.

Whenever the current and envisaged instruments and measures mentioned in this Report involve the processing of personal data, this must be done in compliance with Directive 95/46/EC on the protection of personal data⁵⁸ and the national provisions implementing it.

As President Barroso pointed out in his State of the Union address on 11 September 2013: *"We have a well-functioning single market for goods, and we see the economic benefits of that. We need to extend the same formula to other areas: mobility, communications, energy, finance and e-commerce, to name but a few. We have to remove the obstacles that hold back dynamic companies and people. We have to complete connecting Europe."*

⁵⁸ Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data, OJ L 281, 23.11.1995, p. 31.